

**Remarks for
U.S. Trade Representative Charlene Barshefsky
The Commodity Club
October 1, 1997**

Thank you Luther (Luther Markwart, President, American Sugar Alliance, and Chairman of the Commodity Club) for your introduction. It is certainly a pleasure to speak before the Commodity Club this afternoon on the President's need for fast track negotiating authority. Your group provides an important forum for discussing issues of importance to the agricultural community, and I can think of no other group that represents as broad a range of agricultural interests than the Commodity Club.

Whether Congress grants the President "fast track" procedural authority will say a great deal about whether America will continue to shape the rules and dynamics of international trade or allow rules and trade alliances to be formed by others at our peril. Congressional action will also say much about our commitment to America's farmers and ranchers and about our commitment to U.S. agriculture, the economy's most export-dependent sector.

While fast track authority is our most important tool for bringing home to U.S. agriculture the benefits of future trade agreements, we are also acting to protect the trade benefits we have already negotiated long and hard to achieve. We will have an announcement later today of great interest to many in the agriculture community about steps we plan to take using our trade laws and the WTO dispute settlement procedures to address specific foreign barriers to U.S. agricultural exports. We will not stand by while other governments backslide on their commitments in the agricultural sector, where the United States is a top global competitor.

American Agriculture Has Benefited from Fast Track

Let me say at the outset that I appreciate the widespread support in the agricultural community for fast track authority. American agriculture knows exports go straight to the bottom line, and that this and previous Administrations have used fast track negotiating authority to open and expand foreign markets. The facts are visible for all--fast track was used to negotiate market-opening bilateral agreements with Canada and Mexico, and the multilateral agreements of the Uruguay Round.

We also should not forget the international trading environment that faced U.S. agriculture just a decade ago: high tariffs, exorbitant export subsidies, widespread non tariff trade barriers and a weak dispute settlement system that virtually forced nations into unilateral action. We used fast track authority to get at these trade constraints. We have more work to do, and we need renewed fast track authority to be successful.

We must respond vigorously to those who would ignore the past and focus on uncertainty and long-ago discredited notions about the need for trade in the U.S. economy. We know that freer world markets mean better returns for America's farmers and ranchers. We will use fast track authority to negotiate increased access and we will do it in full consultation with Congress and interested private sector groups.

I would like to use this opportunity to discuss (1) what fast track is, (2) why we need it (economic case), (3) how we plan to use it (the trade agenda), and (4) the costs if it is not renewed (inaction and leadership).

Fast track is not a trade agreement -- it merely sets out the process by which certain trade agreements will be considered by Congress. Only Congress has the final say whether to approve or disapprove a trade agreement and its implementing legislation.

The Administration's "Export Expansion and Reciprocal Trade Agreements Act of 1997," would reactivate the traditional partnership between Congress and the President in defining trade policy and enacting trade agreements, and it would provide an even wider role for Congress in trade negotiations before, during, and after agreements are concluded. But at the end of the day, only Congress has the final say whether to accept or reject the trade deal brought back by the Administration.

Fast track is a critically important and effective tool to lower foreign trade barriers, open markets, and rebalance trade relationships on more reciprocal terms, which is precisely why every President since Gerald Ford has had fast track authority.

The Continuing Need for Fast Track

This Administration has negotiated more than 220 trade agreements which have improved market access, strengthened enforcement of trade agreements, and expanded a rules-based international trading system. We have set the terms for trade, and our industry, services providers, and farmers have increased their exports some 50% percent since 1992. So you ask why do we need fast track?

Fast track is about U.S. exports -- accelerating the trends begun in 1992 and cementing U.S. economic leadership. The total contribution to U.S. economic activity from last year's record agricultural exports, for example, is estimated by USDA at about \$140 billion. Farm exports created close to one million jobs here at home, and exports account for about 30 percent of gross cash receipts for our agricultural producers.

This legislation is vital to American farmers and ranchers. Despite progress, foreign agriculture remains one of the most protected and subsidized sectors of the world economy. And because our farmers are among the least protected and subsidized and most competitive in the world, trade distortions in agriculture hit us the hardest.

It's essential that U.S. agriculture be guaranteed a full and fair chance to tap into the global economy. Ninety-six percent of the world's population lives outside the U.S. and 85 % of them reside in developing countries. Fast growing emerging markets now account for an estimated three quarters of the annual expansion of global middle class consumers. These fast growing markets, if fully open to U.S. exports, offer a great opportunity for U.S. farmers and ranchers.

Without fast track authority, our trade partners will not come to the table to negotiate on difficult areas where the United States is the most competitive producer in the world but where implementing legislation will be necessary. Our trading partners will not negotiate complicated, multifaceted, market access agreements first with the Administration and then separately with Congress. They need the confidence that we speak with one voice and confidence that agreements reached will not be endlessly renegotiated.

As the President said in launching this initiative, however, fast track is also "about more than economics. It is about whether other countries will continue to look to the United States to lead to a future of peace and freedom and prosperity. In the post-Cold War era our strategic alliances are increasingly shaped by economics. If we cede our influence on trade, we will find it more difficult to achieve progress in other areas of direct concern to the United States.

Our Goals for Fast Track in Agriculture

The bill the President delivered to Congress contains specific negotiating objectives for agriculture. It covers market access barriers, unfair subsidies, improving international rules and disciplines on state trading enterprises, sanitary and phytosanitary regulations, including biotechnology, and strengthening the rules on such practices as tariff rate quotas.

We need to ensure that other countries live up to their commitment to negotiate further agricultural trade reforms in the World Trade Organization starting in 1999. The United States insisted on this commitment at the end of the Uruguay Round and it would be unfortunate if our reluctant trading partners got off the hook because we couldn't come to the table. This is the only way for us to address high tariffs and trade-distorting subsidies.

To prepare properly for the 1999 negotiations, we need to begin building a consensus now for moving our agricultural agenda forward. Let me talk briefly about the main elements in our agenda and how they are tied to fast track:

- # *We will press for global tariff-reduction on agricultural products.* The U.S. has on average the lowest tariffs in the world (around 3 percent) while the world average is 56 percent. Other countries such as Korea, Norway, Pakistan and India have much higher tariffs. Across the board tariff reductions will greatly benefit U.S. producers, and fast track is essential to make this happen.

- # *We will press for transparency and improved disciplines on State Trading Enterprises:* The United States has much to gain from disciplining STEs. STEs can distort trade and they frequently operate behind a veil of secrecy. They allow some countries to undercut US exports into third markets and restrict imports. Fast Track negotiating authority will help us instill transparency and discipline in the system, thereby increasing market access for U.S. exports.

 - # *We will negotiate improved rules in the area of Genetically Modified Organisms:* The United States leads the world in developing GMOs and is poised to capture a larger share of the global agricultural marketplace because of increased efficiencies and improved product lines. Other countries, most notably those in Europe, threaten to adopt policies regarding the importation and planting of GMO's and the labeling of products containing GMO's that are not based on scientifically-justified principles.
- If producers and consumers in the United States and around the world are to enjoy the benefits of this new technology, our negotiators need the authority to build consensus in international fora for basing GMO regulations on scientifically-justified principles. If we do not have that authority, other countries will take the opportunity to build consensus in ways contrary to U.S. interests.
- # *We will strengthen the rules on the administration of tariff rate quotas:* In the Uruguay Round, many countries converted their non-tariff trade barriers to tariff rate quotas (TRQ's). TRQ's provide increased market access within a defined import quota. Our goal over time is to negotiate increases in the size of TRQ's. However, we are faced with many cases of countries administering their TRQ's in a way that substantially or completely restricts access. We can use fast track authority to negotiate improved rules for TRQ's and ensure that countries cannot fall back on restrictive administrative procedures.

Dangers of Inaction

There are serious and immediate consequences if we do not renew fast track. Increasingly, major trade agreements have been negotiated without our participation. In every region of the world, but particularly in Latin America and Asia, governments are pursuing strategic trade policies and, forming relationships around us, rather than with us, creating new exclusive trade alliances to the detriment of U.S. interests.

Of the more than 30 trade agreements operating here in the Western Hemisphere, the United States is party to only one -- NAFTA. In the last four years alone, in Latin America and Asia, over 20 such agreements have been negotiated -- all without us. While these preferential agreements multiply, the U.S. share of the Western Hemisphere's total agricultural imports is actually declining.

MERCOSUR (Argentina, Brazil, Paraguay, and Uruguay) -- which comprises a common market with a GDP of approximately \$1 trillion -- has struck agreements with Chile and Bolivia, and is discussing agreements with a number of Andean countries (Colombia, Venezuela), as well as countries in the Caribbean Basin. Since the President launched his fast track initiative, MERCOSUR has launched free trade discussions with Canada and separate talks with the EU, with which MERCOSUR plans to conclude a reciprocal trade agreement by 1999. The EU has also concluded a framework agreement with Chile which is expected to lead to a free trade agreement by 1999.

When we look at Chile, the picture is the same. We sought to conclude a comprehensive trade agreement with Chile in 1994, but could not because we lacked fast track authority. Today, Chile, with one of South America's leading economies, has signed trade agreements with every major trading country in our hemisphere but one -- the United States.

The consequences of agreements being reached without us are not just theoretical; they are quite real. Examples abound:

- On a host of important U.S. agricultural exports, our producers face tariffs of 8 percent to 20 percent on shipments to MERCOSUR, while MERCOSUR members trade tariff-free amongst themselves on most products.
- When Chile's trade agreements are fully implemented, U.S. agricultural exporters will face an 11-percent tariff hurdle vis-a-vis exporters from MERCOSUR and many other nations in the hemisphere who have free trade agreements with Chile, including Canada.
- Western U.S. apple and pear producers have identified Columbia, Venezuela, Peru and Ecuador as potential growth markets. But these countries currently impose import duties of 15 percent to 25 percent on U.S. apples and pears while imports from Chile face little or no duty.
- Chilean fresh fruit pays a 2 percent duty when entering Venezuela (due to the Chile-Venezuela FTA), whereas U.S. producers pay a 15 percent tariff. The U.S. Embassy estimates that U.S. market share would grow from its current 39 percent to 67 percent if U.S. producers had equivalent access to the Venezuelan market.

U.S. Leadership

These costs are real and immediate, but they are not the only cost of not renewing this authority. The other real and enduring cost is to American leadership. Fast track is about more than trade, "it is a foreign policy imperative. It is indispensable to U.S. economic leadership and that leadership is indispensable to U.S. influence around the globe."

The question we face is whether other countries will continue to look to the United States to lead or whether we will be viewed as somehow withdrawn, not nearly as influential as we might otherwise be.

We must seize the opportunities of the global economy. We must maintain the centrality of America's role in world trade. We must respond to a staggering increase in the number of preferential commercial alliances struck around us. We must fully meet sophisticated and determined international competition. We are at the pinnacle of our influence and we should use that influence in the shaping of international economic rules, and in the transmission of our fundamental values. In light of the extraordinary opportunities before us and the economic security of the nation, retreat is not an option.

Conclusion

Fast track authority lets us maximize our trade leadership in support of the most export-dependent sector of the economy. Inaction means our competitors take the lead. Our past successes in boosting farm exports are the best and most obvious arguments for fast track. Inaction means turning our backs on America's farmers and ranchers.